

Peter
Backman.



Weekly Briefing Report

Week ending 19 September 2021

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Introduction

I write the [Weekly Briefing Report](#) to provide an immediate view of the market. My premium service (which additionally includes Monthly and Quarterly Briefing Reports) provides a slightly more measured view. Learn more and subscribe [here](#)

I value your feedback and I would particularly appreciate your thoughts on the topics you would like me to add to my coverage – contact me at peter@peterbackmanfs.com or on 07785 242809 with your ideas!

My insight

Is lunch the new breakfast? It seems, not long ago, there was much talk about the discovery of breakfast as a new daypart – porridge at Pret, Wetherspoons serving cooked breakfast (and claiming to serve the most coffees in the UK). All it takes is one pandemic to throw that great new opportunity into disarray.

Now we are left to pick up the pieces and rediscover, not just breakfast, but all dayparts. During covid, consumers have (or at least so far, appeared to have) changed their habits, perceptions and requirements to a degree that has not just upset, but overturned normal patterns of trading. Locations – city centres, suburban high streets, railway stations and many more - are being forced to reconfigure themselves to a “new” type of customer. And, in passing, I would add that I hope there is going to be a “new” customer because otherwise a lot of redevelopment activity is going to have to be thrown in the bin. And just as locations are being investigated and repurposed, so it is with dayparts. If people aren't travelling to work – or if they are not travelling first thing – breakfast for commuting travellers will be an unnecessary offer. Likewise, if people leave work early as part of their new working lifestyle – to miss the rush hour, or to pick up the kids – then immediate post work hospitality, in the pub or at an early evening restaurant meal, is going to become an anomaly.

And perhaps the daypart facing the biggest threat from changing consumer patterns, is lunchtime. For years, this has been a major part of people's working lives. But now since they are likely to work from home much more frequently, lunchtime eating in places where workers are to be found in offices is under threat – whether it's a coffee shop, sandwich bar, lunchtime rendezvous, office cafeteria – all will be depleted in the months and years ahead. And yet there are opportunities, solutions, and work arounds. I have been collaborating with François Blouin, Founder and CEO of French consultancy, Food Service Vision, on our second whitepaper – [The New Battle for Lunch](#), in France and in the UK. We have built on our experience in these two, in some ways similar and in other ways quite different, national lunchtime trading environments. And we noted ways in which operators have started to address the “new” lunch daypart - from the installation of 'smart fridges' by Nestor, the Elior subsidiary, to the reinvention of Pret a Manger as an 'omnichannel' operator.

We have gone on to draw conclusions from developments like these. Above all we conclude that there are many opportunities for operators, investors, and suppliers in the changing lunchtime environment.

The numbers

Just when I thought I'd be original and coin a useful new term, along comes somebody else with the same idea. I thought that "Light" kitchens would be a helpful way to define a dark kitchen that was piggybacked onto a bricks and mortar restaurant – leaving "Dark" kitchens as standalone sites that offer (so-called) restaurant meals for delivery without any front of house appendage. And now it appears that David Page, CEO of Fulham Shore, has the same idea (although it seems that his use is slightly more restricted than mine). Anyway, it looks as though between us we have coined "Light" kitchens, a new word for the lexical ecosystem surrounding delivery. This issue of nomenclature is a topic that maybe I'll cover at some time in the future but, for now, I'd like to turn to another aspect of delivery.

Delivery made huge strides during covid when it provided a lifeline to financial security for many operators – including, perhaps especially, those that had previously vowed not to use delivery. In doing so, new business options (such as virtual brands) have emerged and dark kitchens have developed a variety of formats which, according to my latest calculations, will have combined UK sales of about £570 million this year.

Developments such as these have taken place globally and yet old problems remain, notably the perennial issue of profitability – or rather lack of it – for operators and aggregators. Dark kitchens are in fact one solution to this problem – because, by doing away with the front of house, they remove roughly 30% of the costs of running a restaurant.

But the route to profitability does not only run through cost-cutting, it can also be directed through identifying a new income stream. That's where virtual brands come in and which my latest calculations show will be worth about £430 million in the UK this year. And like everything in restaurant delivery, they come in several "flavours". For example, they can be a company-owned, virtual brand or one that is owned by a franchisor – and in these circumstances the franchisor is sitting very pretty, with minimal costs and maximised revenue, always provided (and this is a big proviso) the brand is relevant and sustained.

And franchising strikes me as one way to make money out of restaurant delivery. There are others too as I discuss in my latest whitepaper on the subject of delivery – [How to Make Money from Restaurant Delivery](#). For instance, too much money is spent on correcting misdeliveries, so don't do them – but pay attention to quality control instead. Or, on another track, make efforts to persuade customers to spend more on each order – or spend more on profitable menu items.

And another, perhaps surprising conclusion, is that for some players the best way to make money out of delivery, is not to do it all.

Here are the latest numbers from the Huq Index and OpenTable:

	September							
	13	14	15	16	17	18	19	Metric
Huq Index	51.4	52.8	54.0	51.1	50.8	50.5		YoY % change in footfall
Open Table	9%	8%	19%	21%	27%	38%		YoY % change in bookings

The rest of this report contains a summary of corporate and other activity over the past week:

News in the past week

Finance & Legal

- Government announced that measures to prevent landlords presenting winding up petitions against limited companies to be extended to 31 March 2022
- Government figures for end July shows 15% of eligible furlough positions being used in accommodation and restaurants – down from 19% a month earlier
- Government announced vaccine passports will not be introduced but held in reserve
- Wales to introduce vaccine passports for entry to nightclubs on 10 October

Retail

- Retail sales fell -0.9 per cent in August versus July when sales fell -2.8% in June

Landlords

- Covent Garden to continue al fresco dining

Restaurants

- The Evening Standard says that spend in London restaurants down -10% on pre-covid levels
- Restaurant Group sales in its most recent six months were -4.6% down on 2020
- Wagamama LfL sales in the fifteen weeks to end August rose 21%
- Restaurant Group leisure division LfL sales rose 18% in the fifteen weeks to end August
- Fulham Shore launches small footprint format for delivery and takeaway
- Gail's Bakery was acquired by Bain Capital

QSR

- Pret A Manger sales rose 15% in (unspecified city centres) in one week in early September

Pubs

- Brewhouse & Kitchen turnover rose 16% in the two months to early September versus 2019

Leisure

- Restaurant Group concessions fell -53% in the fifteen weeks to end August
- Luton airport passenger numbers fell -66% in July and August versus 2019

Delivery

- Deliveroo Plus membership provided free to Amazon Prime subscribers

Suppliers

- Fevertree Drinks sales in the first six months of 2021 rose 36% year-on-year
- C&C Group sales fell -55.5% in the first half of the year versus 2020

Delivery offers of the week

- Uber "Get 50% off groceries"
- Deliveroo "Save big with 25% off every Tasty Thursday"